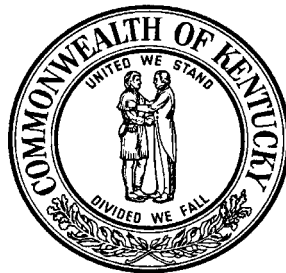


**REPORT OF THE AUDIT OF THE  
CASEY COUNTY  
SHERIFF'S SETTLEMENT - 2002 TAXES**

**April 5, 2003**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Ronald D. Wright, Casey County Judge/Executive  
Honorable Jerry Coffman, Casey County Sheriff  
Members of the Casey County Fiscal Court

The enclosed report prepared by Carpenter, Mountjoy & Bressler, PSC, Certified Public Accountants, presents the Casey County Sheriff's Settlement - 2002 Taxes.

We engaged Carpenter, Mountjoy & Bressler, PSC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Carpenter, Mountjoy & Bressler, PSC, evaluated the Casey County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure





**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE  
CASEY COUNTY  
SHERIFF'S SETTLEMENT - 2002 TAXES**

**April 5, 2003**

Carpenter, Mountjoy & Bressler, PSC has completed the audit of the Sheriff's Settlement - 2002 Taxes for the Casey County Sheriff as of April 5, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$375,916 for the districts for 2002 taxes, retaining commissions of \$15,478 to operate the Sheriff's office. The Sheriff distributed taxes of \$360,442 to the districts for 2002 Taxes. Refunds of \$4 are due to the Sheriff from the taxing districts.

**Report Comment:**

- Lacks Adequate Segregation Of Duties

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



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*Certified Public Accountants and Consultants*

To the People of Kentucky

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Honorable Jerry Coffman, Casey County Sheriff

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#### Independent Auditor's Report

We have audited the Casey County Sheriff's Settlement - 2002 Taxes as of April 5, 2003. This tax settlement is the responsibility of the Casey County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Casey County Sheriff's taxes charged, credited, and paid as of April 5, 2003, in conformity with the modified cash basis of accounting.

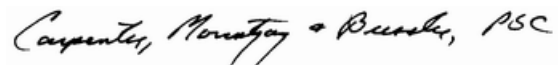
To the People of Kentucky  
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In accordance with Government Auditing Standards, we have also issued our report dated August 15, 2003, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Lacks Adequate Segregation Of Duties

Respectfully submitted,



Carpenter, Mountjoy & Bressler, PSC

Audit fieldwork completed -  
August 15, 2003

CASEY COUNTY  
JERRY COFFMAN, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2002 TAXES

April 5, 2003

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Transferred From Former Sheriff	\$ 29,145	\$ 78,706	\$ 156,028	\$ 61,782
Franchise Corporation	7,721	21,595	41,897	
Limestone, Sand, and Mineral Reserves	68	187	371	136
Penalties	1,858	5,023	9,956	4,072
Adjusted to Sheriff's Receipt				
Gross Chargeable to Sheriff	<u>\$ 38,792</u>	<u>\$ 105,511</u>	<u>\$ 208,252</u>	<u>\$ 65,990</u>
<u>Credits</u>				
Exonerations	\$ 169	\$ 448	\$ 888	\$ 325
Discounts	1	4	7	3
Delinquents:				
Real Estate	3,694	9,903	19,646	7,187
Tangible Personal Property	30	85	162	78
Total Credits	<u>\$ 3,894</u>	<u>\$ 10,439</u>	<u>\$ 20,703</u>	<u>\$ 7,593</u>
Taxes Collected	\$ 34,898	\$ 95,072	\$ 187,549	\$ 58,397
Less: Commissions *	<u>1,483</u>	<u>4,011</u>	<u>7,502</u>	<u>2,482</u>
Taxes Due	\$ 33,415	\$ 91,061	\$ 180,047	\$ 55,915
Taxes Paid	<u>33,415</u>	<u>91,063</u>	<u>180,048</u>	<u>55,916</u>
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ (2)</u>	<u>\$ (1)</u>	<u>\$ (1)</u>

\* and \*\* See Page 4.

The accompanying notes are an integral part of this financial statement.

CASEY COUNTY  
JERRY COFFMAN, COUNTY SHERIFF  
SHERIFF'S SETTLEMENT - 2002 TAXES  
April 5, 2003  
(Continued)

\* Commissions:

4.25% on	\$	176,677
4% on	\$	199,239

\*\* Special Taxing Districts:

Library District	\$	(1)
Ambulance District		<u>(1)</u>

Due Districts or (Refunds Due Sheriff)	\$	<u><u>(2)</u></u>
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CASEY COUNTY  
NOTES TO FINANCIAL STATEMENTS

April 5, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of April 5, 2003 the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

CASEY COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 5, 2003  
(Continued)

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2002. Property taxes were billed to finance governmental services for the year ended June 30, 2003. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 9, 2003 through April 5, 2003.

Note 4. Interest Income

The Casey County Sheriff earned \$443 as interest income on 2002 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Casey County Sheriff collected \$16,307 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Casey County Sheriff collected \$1,980 of advertising costs and \$1,980 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff will pay the cost of publication of delinquent taxes from the advertising costs and the advertising fees will be used to operate the Sheriff's office.

COMMENT AND RECOMMENDATION





CASEY COUNTY  
JERRY COFFMAN, COUNTY SHERIFF  
COMMENT AND RECOMMENDATION

As of April 5, 2003

STATE LAWS AND REGULATIONS:

None.

INTERNAL CONTROL - REPORTABLE CONDITION/MATERIAL WEAKNESS

Lacks Adequate Segregation Of Duties

We conclude the internal control structure lacks a proper segregation of duties. There is a limited number of staff responsible for duties associated with the tax settlement. Even though the Sheriff has statutory authority to assume the role as custodian of monetary assets as well as recorder of transactions and preparer of financial statements, no compensating controls are performed. Therefore, management has decided to limit the number of personnel responsible for duties associated with the tax settlement and accepts the risk for a lack of adequate segregation of duties.

*Sheriff's Response:*

*None.*

PRIOR YEAR:

Lacks Adequate Segregation Of Duties

This comment was not corrected and is repeated in this audit report.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





*Certified Public Accountants and Consultants*

To the People of Kentucky

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Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Casey County Sheriff's Settlement - 2002 Taxes as of April 5, 2003, and have issued our report thereon dated August 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Casey County Sheriff's Settlement - 2002 Taxes as of April 5, 2003 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Casey County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

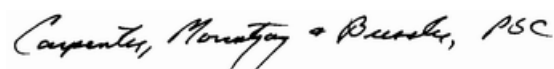
However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Carpenter, Mountjoy & Bressler, PSC

Audit fieldwork completed -  
August 15, 2003

